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SUBJECT: NO ELECTION - FOR NOW

REF: (A) Ottawa 470

(B) Ottawa 466

**¶1.** (SBU) Summary and comment: Canadians have dodged a summer election, but the reprieve appears likely to last only till autumn. Following three meetings in less than twenty-hours, Prime Minister Stephen Harper and Liberal leader Michael Ignatieff agreed that a bipartisan panel will study Employment Insurance reform through the summer. The move clears the way for the Liberals to support the government's spending plans in confidence votes on June 19 and avoid a summer poll. However, Harper's guarantee to allow an opposition vote on the government's economic performance in parliament -- in a confidence vote, if necessary -- in early fall suggests that the two leaders have deferred, but not necessarily avoided, a new federal election. End summary.

**¶2.** (U) Following two "productive" private meetings with the Prime Minister on the afternoon and evening of June 16 (Ref A), and a third on the morning of June 17, Liberal leader Michael Ignatieff and Prime Minister Stephen Harper agreed to "work together" and avoid a summer election. The leaders will form a six-member panel to study extending employment insurance (EI) to the self-employed (a 2008 Conservative election pledge) and examine EI eligibility regional inequities. The panel will report back to the Prime Minister by September 28 with recommendations for legislative changes.

**¶3.** (U) Harper's concession falls short of the Liberals' demand for a minimum 360 hour country-wide EI standard eligibility, and Ignatieff's insistence on June 15 that the government help the unemployed "this summer." However, Ignatieff confirmed that it is enough for him to support the Conservatives' stimulus spending plan on June 19 and keep the government in power. In turn, the Conservatives have agreed to shorten the summer recess, bringing Parliament back on September 14 (one week earlier than planned) and add an extra budgetary progress report on stimulus funding to be presented the week of September 28. Harper also promised the Liberals an extra "opposition day" (when the opposition proposes the motion for debate) after the government tables its progress report, which they can use as a confidence vote. A government failure on that vote would be an election in the first half of November.

**¶4.** (U) Liberal MPs Michael Savage and Marlene Jennings, and an as-yet unnamed Liberal policy advisor, will sit on the EI study panel. For the Conservatives, PM Harper named Minister for Human Resources and Skills Development (HRDC) Diane Finley (the Minister responsible for EI) and two HRDC officials.

**¶5.** (U) In consecutive press conferences, Ignatieff and PM Harper struck positive, but contrasting, tones. Flanked by his caucus, an upbeat Ignatieff declared that he had helped break a political logjam on EI. He took credit for holding the government accountable and trying to make Parliament work. Although he cautioned that there is no guarantee of consensus on EI changes, he said he could now "look the unemployed in the eye." In response to reporters' queries on whether he had settled for too little, Ignatieff asked rhetorically "do I look steamrollered?" He closed by claiming he had moved the EI debate forward and scored a "significant victory" in gaining recognition for inequities in the EI system.

¶ 6. (U) Prime Minister Harper described himself as "very pleased" that the opposition supported his government's stimulus measures and that the parties had agreed to avoid an election that Canadians do not want. Although he welcomed "realistic, affordable" ideas from the opposition, he underscored that the government's position had not changed. He reiterated that the government remained opposed to adopting a 360 hour minimum eligibility for EI across the country.

¶ 7. (U) Harper took a few partisan swipes at his opponents. He lamented that it is "difficult to find common ground when you don't know what the ideas are on the other side", and said he looked forward to hearing specific proposals from the Liberals on EI that had been lacking hitherto. He also warned that the opposition should not interpret a summer election averted simply as an election deferred to the fall. Harper emphasized that his party remains the best prepared of all the parties to fight an election at any time and warned that his government's defeat by an opposition "Coalition" would produce "some pretty dangerous results" for the country, though he did specify what those might be.

BREESE